

Presentment Date and Time: March 16, 2011 at 12:00 p.m. (Prevailing Eastern Time)

Objection Deadline: March 16, 2011 at 11:00 a.m. (Prevailing Eastern Time)

Hearing Date and Time (If an Objection is Filed): March 23, 2011 at 10:00 a.m. (Prevailing Eastern Time)

WEIL, GOTSHAL & MANGES LLP

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Richard P. Krasnow

Attorneys for Debtors

and Debtors in Possession

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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In re	: Chapter 11 Case No.
LEHMAN BROTHERS HOLDINGS INC., <i>et al.</i> ,	: 08-13555 (JMP)
Debtors.	: (Jointly Administered)
-----X	

**NOTICE OF PRESENTMENT OF APPLICATION OF THE DEBTORS PURSUANT
TO SECTION 327(e) OF THE BANKRUPTCY CODE AND RULE 2014 OF THE
FEDERAL RULES OF BANKRUPTCY PROCEDURE FOR AUTHORIZATION TO
EXPAND THE SCOPE OF THEIR RETENTION OF LATHAM & WATKINS LLP
AS SPECIAL COUNSEL, NUNC PRO TUNC TO SEPTEMBER 1, 2010**

PLEASE TAKE NOTICE that the undersigned will present the annexed Application (the "Application") of Lehman Brothers Holdings Inc. ("LBHI") and its affiliated debtors in the above-referenced chapter 11 cases (together, the "Debtors") pursuant to section 327(e) of the Bankruptcy Code and Rule 2014 of the Federal Rules of Bankruptcy Procedure, for authorization to expand the scope of their existing retention of Latham & Watkins LLP as special counsel, *nunc pro tunc* to September 1, 2010, all as more fully described in the Application, to the Honorable James M. Peck, United States Bankruptcy Judge, for approval and signature on **March 16, 2011 at 12:00 p.m. (Prevailing Eastern Time).**

PLEASE TAKE FURTHER NOTICE that objections to the Application, if any, shall be in writing, shall conform to the Federal Rules of Bankruptcy Procedure (the "Bankruptcy

Rules”) and the Local Rules of the Bankruptcy Court for the Southern District of New York, shall set forth the name of the objecting party, the basis for the objection and the specific grounds thereof, shall be filed with the Bankruptcy Court electronically in accordance with General Order M-242 (which can be found at www.nysb.uscourts.gov) by registered users of the Bankruptcy Court’s case filing system and by all other parties in interest, on a 3.5 inch disk, preferably in Portable Document Format (PDF), WordPerfect, or any other Windows-based word processing format (with two hard copies delivered directly to Chambers), and shall be served upon: (i) the chambers of the Honorable James M. Peck, One Bowling Green, New York, New York, 10004, Courtroom 601; (ii) Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York, 10153, Attn: Richard P. Krasnow, Esq.; (iii) the Office of the United States Trustee for Region 2, 33 Whitehall Street, 21st Floor, New York, New York, 10004, Attn: Tracy Hope Davis, Esq., Elisabetta G. Gasparini, Esq.; Andrea B. Schwartz, Esq.; (iv) Milbank, Tweed, Hadley & McCloy LLP, 1 Chase Manhattan Plaza, New York, New York, 10005, Attn: Dennis F. Dunne, Esq., Dennis O’Donnell, Esq., and Evan Fleck, Esq., attorneys for the Official Committee of Unsecured Creditors appointed in these cases; and (v) Latham & Watkins LLP, 355 S. Grand Avenue, Los Angeles, CA, 90071, Attn: Gregory O. Lunt, **so as to be so filed and received by no later than March 16, 2011 at 11:00 a.m. (prevailing Eastern Time)** (the “Objection Deadline”).

PLEASE TAKE FURTHER NOTICE that only if a written objection is timely filed and served, a hearing will be held on **March 23, 2011, at 10:00 a.m. (Prevailing Eastern Time)** at the United States Bankruptcy Court for the Southern District of New York, Honorable James M. Peck, United States Bankruptcy Judge, One Bowling Green, New York, New York

10004-1408. If an objection is filed the moving and objecting parties are required to attend the hearing, and failure to appear may result in relief being granted or denied upon default.

Dated: March 2, 2011
New York, New York

/s/ Richard P. Krasnow
Richard P. Krasnow
WEIL, GOTSHAL & MANGES LLP
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Attorneys for Debtors
and Debtors in Possession

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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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In re	: Chapter 11 Case No.
LEHMAN BROTHERS HOLDINGS INC., <i>et al.</i> ,	: 08-13555 (JMP)
Debtors.	: (Jointly Administered)
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**APPLICATION OF THE DEBTORS PURSUANT
TO SECTION 327(e) OF THE BANKRUPTCY CODE AND
RULE 2014 OF THE FEDERAL RULES OF BANKRUPTCY
PROCEDURE FOR AUTHORIZATION TO EXPAND THE SCOPE
OF THEIR RETENTION OF LATHAM & WATKINS LLP AS SPECIAL
COUNSEL, *NUNC PRO TUNC* TO SEPTEMBER 1, 2010**

TO THE HONORABLE JAMES M. PECK
UNITED STATES BANKRUPTCY JUDGE:

Lehman Brothers Holdings Inc. ("LBHI") and its affiliated debtors in the above-referenced chapter 11 cases, as debtors and debtors in possession (together, the "Debtors") and, collectively with their non-debtor affiliates, "Lehman"), submit this application to expand the scope of their existing retention of Latham & Watkins LLP ("L&W") as special counsel, *nunc pro tunc* to September 1, 2010, and respectfully represent:

Background

1. Commencing on September 15, 2008 and periodically thereafter (as applicable, the “Commencement Date”), the Debtors commenced with this Court voluntary cases under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”). The Debtors’ chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”). The Debtors are authorized to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

2. On September 17, 2008, the United States Trustee for Region 2 (the “U.S. Trustee”) appointed the statutory committee of unsecured creditors pursuant to section 1102 of the Bankruptcy Code (the “Creditors’ Committee”).

3. On September 19, 2008, a proceeding was commenced under the Securities Investor Protection Act of 1970 (“SIPA”) with respect to Lehman Brothers Inc. (“LBI”). A trustee appointed under SIPA is administering LBI’s estate.

4. On January 19, 2009, the U.S. Trustee appointed Anton R. Valukas as examiner in the above-captioned chapter 11 cases (the “Examiner”) and by order, dated January 20, 2009 [Docket No. 2583] the Court approved the U.S. Trustee’s appointment of the Examiner. The Examiner issued a report of his investigation pursuant to section 1106 of the Bankruptcy Code on March 11, 2010 [Docket No. 7531].

5. On January 25, 2011, the Debtors filed a first amended joint chapter 11 plan and disclosure statement [Docket Nos. 14150 and 14151].

Jurisdiction

6. This Court has subject matter jurisdiction to consider and determine this matter pursuant to 28 U.S.C. § 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b).

Lehman's Business

7. Prior to the events leading up to these chapter 11 cases, Lehman was the fourth largest investment bank in the United States. For more than 150 years, Lehman had been a leader in the global financial markets by serving the financial needs of corporations, governmental units, institutional clients and individuals worldwide.

8. Additional information regarding the Debtors' businesses, capital structures, and the circumstances leading to the commencement of these chapter 11 cases is contained in the Affidavit of Ian T. Lowitt Pursuant to Rule 1007-2 of the Local Bankruptcy Rules for the Southern District of New York in Support of First-Day Motions and Applications, filed on September 15, 2008 [Docket No. 2].

Latham & Watkins' Retention

9. L&W has previously been providing legal services with respect to the Representative Matters (as defined below) on behalf of the Debtors, as a professional utilized in the ordinary course ("Ordinary Course Professional") in these chapter 11 cases pursuant to this Court's Amended Order Pursuant to Sections 105(a), 327, 328, and 330 of the Bankruptcy Code Authorizing the Debtors to Employ Professionals Utilized in the Ordinary Course of Business, dated March 25, 2010 [Docket No. 7822] (the "Amended OCP Order"). Pursuant to the procedures set forth in the Amended OCP Order, such retention became effective upon the filing of the Affidavit and Disclosure Statement of Gregory O. Lunt on behalf of Latham & Watkins

LLP in accordance with the Amended OCP Order [Docket No. 3667] (the “Lunt OCP Affidavit”) and the expiration of the relevant objection period.

10. The Amended OCP Order further provides that “payment to any one Ordinary Course Professional shall not exceed \$1 million for the period prior to the conversion of, dismissal of, or entry of a confirmation order in these chapter 11 cases (the “Chapter 11 Period”) and that “in the event payment to any Ordinary Course Professional exceeds \$1 million during the Chapter 11 Period, such Ordinary Course Professional shall be required to file a retention application to be retained as a professional pursuant to sections 327 and 328 of the Bankruptcy Code. . . .” L&W anticipated that its fees incurred during the pendency of these cases would exceed \$1 million in the aggregate (the “OCP Cap”). In accordance with the Amended OCP Order, on May 5, 2010, the Debtors filed an application to retain L&W as special counsel (the “L&W Retention Application”) [Docket No. 8793], and on May 20, 2010, this Court entered an order granting the L&W Retention Application (the “L&W Retention Order”) [Docket No. 9140].

11. Pursuant to the L&W Retention Order, the Debtors are authorized to retain L&W to continue representing the Debtors in the matters for which L&W has historically provided services (and continues to provide services) to the Debtors during the pendency of these cases (the “OCP Matters”), and to also represent the Debtors in (i) a workout of a number of loans made to entities controlled by Alan J. Worden (the “Scout Portfolio Matter”), and (ii) investigations and advice regarding appropriate courses of action with respect to the matters raised in proofs of claim against LBHI which were filed on September 22, 2009 by LBREM REIT Holdings LLC and El Toro LLC (the “Claims Matter,” and together with the Scout Portfolio Matter and the OCP Matters, the “Representative Matters”).

Relief Requested

12. The Debtors request entry of an order, pursuant to section 327(e) of the Bankruptcy Code, Rule 2014(a) of the Bankruptcy Rules, and Rule 2014-1 of the Local Bankruptcy Rules for the Southern District of New York (the “Local Rules”), authorizing them to expand the scope of L&W’s retention to include the prosecution of significant claims that have been asserted on the Debtors’ behalf in the chapter 11 cases of Aegis Mortgage Corporation and its affiliates (collectively, “Aegis”) that currently are pending in the United States Bankruptcy Court for the District of Delaware (Lead Case No. 07-11119 (BLS)) (the “Aegis Matter”). Aegis was an originator of residential mortgage loans, interests in some of which were ultimately conveyed to the Debtors. Prior to the commencement of the Debtors’ chapter 11 cases, L&W had filed a proof of claim relating to such mortgage loans in the amount of approximately \$34 million against Aegis on behalf of Aurora Loan Services LLC, a non-debtor indirect subsidiary of LBHL.¹ With L&W’s assistance, the Debtors are pursuing, and addressing the possible resolution of, the claim against Aegis.

Basis for Relief

13. The Debtors’ knowledge, information, and belief regarding the matters set forth in this Application are based on and made in reliance upon the (a) Declaration of Gregory O. Lunt, dated May 4, 2010, that was filed with the L&W Retention Application and (b) the Supplemental Declaration of Gregory O. Lunt that is annexed hereto as Exhibit A, (collectively with the Lunt OCP Affidavit, the “Lunt Declarations”).

14. The expansion of the scope of the Debtors’ retention of L&W to handle the Aegis Matter is appropriate under Bankruptcy Code sections 327(e) and 1107(b). Section

¹ While the proof of claim was filed on behalf of Aurora Loan Services LLC (in its role as master servicer), the interests in the majority of the affected mortgage loans are owned by one or more of the Debtors.

327(e) provides for the appointment of special counsel where the proposed counsel does not possess any interest materially adverse to the debtor with regard to the matter(s) that will be handled by counsel. Section 327(e) provides:

The trustee, with the court's approval, may employ, for a specified special purpose, other than to represent the trustee in conducting the case, an attorney that has represented the debtor, if in the best interest of the estate, and if such attorney does not represent or hold any interest adverse to the debtor or to the estate with respect to the matter on which such attorney is to be employed.

11 U.S.C. § 327(e). Moreover, section 1107(b) provides that “a person is not disqualified for employment under section 327 of this title by a debtor in possession solely because of such person's employment by or representation of the debtor before the commencement of the case.”

11 U.S.C. § 1107(b).

15. Accordingly, section 327(e) of the Bankruptcy Code authorizes the retention of counsel who previously represented a debtor prepetition provided that: (a) the appointment is in the best interest of the debtor's estate; (b) counsel does not hold an interest adverse to the estate with respect to the matter for which counsel is to be employed; and (c) the specified special purpose for which counsel is being retained does not rise to the level of conducting the bankruptcy case for the debtor in possession. *See, e.g., In re DeVlieg, Inc.*, 174 B.R. 497 (N.D. Ill. 1994); *In re AroChem Corp.*, 176 F.3d 610, 622 (2d Cir. 1999) (noting that “where the interest of the special counsel and the interest of the estate are identical *with respect to the matter for which special counsel is retained*, there is no conflict and the representation can stand”) (emphasis in original). As explained more fully below, the Debtors submit that each of these factors is satisfied with respect to L&W and, therefore, the expansion of the scope of its retention should be approved under section 327(e) of the Bankruptcy Code.

**The Expansion of the Scope of the Debtors'
Retention of L&W is in the Best Interests of the Estates**

16. The Debtors have decided to retain L&W as special counsel in the Aegis Matter because (a) L&W had represented the Debtors in the Aegis Matter prior to the Commencement Date and (b) L&W has substantial experience in the aspects of law that may be implicated in the Aegis Matter, including bankruptcy and litigation issues. For these reasons, the Debtors submit that the expansion of the scope of their retention of L&W to include the Aegis Matter is in the best interests of the Debtors, their estates and their creditors.

**L&W Holds No Interest Adverse to the Debtors or the
Debtors' Estates With Respect to the Representative Matters**

17. To the best of the Debtors' knowledge, and as set forth in the Lunt Declarations, L&W does not represent or hold any interest adverse to the Debtors or their estates with respect to the matters as to which L&W is employed, including the Aegis Matter. *See In re AroChem*, 176 F.3d at 622 (emphasizing that, under section 327(e) of the Bankruptcy Code, potential conflicts must be evaluated only with respect to the scope of the proposed retention). The Debtors have been informed that L&W will conduct an ongoing review of its files to ensure that no disqualifying circumstances arise and, if any new relevant facts or relationships are discovered, L&W will supplement its disclosure to this Court.

18. L&W has a comprehensive U.S. bankruptcy practice. As such, L&W represents certain clients in connection with the Debtors' chapter 11 cases (and will continue to do so subject to certain restrictions). L&W has set forth in the Lunt Declarations or schedules thereto, a list of the engagements in which L&W advises other clients in connection with the

Debtors' chapter 11 cases is (collectively, the "L&W Clients").² L&W has advised the Debtors that these representations have been limited in scope and are unrelated to the Representative Matters for which L&W has already been retained, and are also unrelated to the Aegis Matter.

19. Furthermore, the Debtors hereby confirm that they have consented to and have waived any actual or potential conflicts resulting from L&W's representation of the L&W Clients on matters that may be adverse to the Debtors, so long as those engagements are not related to and would not cause L&W to represent a party adverse to the Debtors in connection with the Representative Matters and the Aegis Matter. This waiver covers all L&W Client matters as defined in the Lunt Declarations, including new issues that arise from or are directly related to the L&W Client matters or new matters (including litigation) that arise in the course and scope of the L&W Client Matters (together, the "Waived Matters"). The waiver will not prospectively cover new future matters for existing clients that are not directly related to the Waived Matters or matters for new clients that have not been disclosed in the Lunt Declarations (together, the "New Matters"). L&W has agreed with the Debtors that if in the future it determines that any of the engagements described in the Lunt Declarations directly conflict with the Representative Matters (including the Aegis Matter), it will abstain from providing services to that Debtor, seek a waiver or otherwise resolve the matter to the mutual satisfaction of L&W, the applicable Debtor and the other client or clients involved in such matter. L&W has advised that if in the future it determines that there are New Matters not disclosed in the Lunt Declarations, it will file a supplement thereto.

² The Debtors have been advised by L&W that such lists include only clients whom L&W actually advises in connection with the Debtors' chapter 11 cases. The Debtors have been further advised by L&W that they do not include L&W clients who may have an interest in the Debtors' cases, but who have not specifically requested that L&W represent them in connection therewith.

20. L&W has agreed with the Debtors that it will not represent any clients in bringing any claim or cause of action against any of the Debtors that is based on any allegation of fraud by any of the Debtors.

21. Based on the foregoing and on the disclosures set forth in the Lunt Declarations that have already been filed with this Court, the Debtors believe that L&W does not hold or represent an interest adverse to the Debtors' estates that would impair L&W's ability to perform professional services for the Debtors, objectively and in accordance with section 327(e) of the Bankruptcy Code, regarding the Representative Matters (including the Aegis Matter).

L&W Will Not Conduct the Debtors' Bankruptcy Cases

22. By separate applications, the Debtors have sought and obtained the Court's approval to retain and employ Weil, Gotshal & Manges LLP as the Debtors' general bankruptcy counsel, and Curtis, Mallet-Prevost, Colt & Mosle LLP as conflicts counsel. By contrast, L&W's postpetition work is comprised solely of the Representative Matters, and is intended to include the Aegis Matter. None of these matters involve the conduct of the bankruptcy cases themselves. Additionally, because L&W is not serving as the Debtors' bankruptcy counsel, the Debtors believe that L&W has not rendered "services ... in contemplation of, or in connection with the case" within the meaning of section 329(a) of the Bankruptcy Code. Accordingly, the services rendered and functions to be performed by L&W will not be duplicative of any bankruptcy-related work performed by other law firms retained by the Debtors. Furthermore, L&W will coordinate with the Debtors' other professionals to ensure that its services are, to the maximum extent possible, complimentary to other professionals' services.

Professional Compensation

23. The Debtors understand that commencing with work performed in March 2010, L&W intends to apply separately to the Court for allowances of compensation and reimbursement of expenses in accordance with section 330 of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and the guidelines promulgated by the U.S. Trustee, as those procedures may be modified or supplemented by order of this Court, including this Court's Third Amended Order Pursuant to Sections 105(a) and 331 of the Bankruptcy Code and Bankruptcy Rule 2016(a) Establishing Procedures for Interim Monthly Compensation and Reimbursement of Expenses of Professionals [Docket No. 4165] and this Court's Order Appointing Fee Committee and Approving Fee Protocol [Docket No. 3651]. For work performed prior to March 2010, L&W has sought or will seek compensation pursuant to the terms of the Amended OCP Order.

24. For services rendered by L&W in these cases, the Debtors, subject to the provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, all guidelines promulgated by the U.S. Trustee, and orders of the Court, propose to pay L&W its customary hourly rates that are in effect from time to time.

25. Based on the foregoing, the Debtors submit that the relief requested is necessary and appropriate, is in the best interests of their estates and creditors, and should be granted in all respects.

Nunc Pro Tunc Approval to September 1, 2010 is Appropriate

26. The Debtors request that L&W's supplemental retention to include the Aegis Matter be made effective *nunc pro tunc* to September 1, 2010, to ensure that L&W may request compensation for all of its work on such matter, which provided value to the Debtors' estates. As described in the Supplemental Declaration of Gregory O. Lunt, that is annexed hereto,

subsequent to the Debtors' request that L&W handle the Aegis Matter, L&W assessed whether requesting payment from the Debtors for that matter through a supplemental retention application would be worthwhile in light of the fees and expenses that had accrued with respect to the Aegis Matter. The Debtors were recently informed that L&W determined that it would be worthwhile to pursue payment of its fees and expenses with respect to the Aegis Matter, and L&W began to work with the Debtors to prepare this application. Furthermore, the Debtors have been informed that since September 1, 2010, L&W has incurred less than \$30,000 of fees and expenses with respect to the Aegis Matter. The Debtors, therefore, will not suffer prejudice as a result of the approval of this Application *nunc pro tunc* to September 1, 2010.

27. The complex, global nature of these chapter 11 cases and the need for professionals often times to provide immediate services in exigent circumstances has warranted retroactive approval of professional retentions. Indeed, this Court has granted *nunc pro tunc* approval of the retention of at least twenty-nine other professionals in these cases. Based on the foregoing, retroactive approval of L&W's retention is warranted in these circumstances.³ *See In re*

³ [Docket No. 4711] (approving *nunc pro tunc* appointment dating approximately 3 months prior), [Docket No. 4927] (approving *nunc pro tunc* appointment dating approximately 24 days prior), [Docket No. 1659] (approving *nunc pro tunc* appointment dating approximately 2 months prior), [Docket No. 7824] (approving *nunc pro tunc* appointment dating approximately 1 year and 4 months prior), [Docket No. 9724] (approving *nunc pro tunc* appointment dating approximately 3 months prior), [Docket No. 5305] (approving *nunc pro tunc* appointment dating approximately 11 months prior), [Docket No. 2547] (approving *nunc pro tunc* appointment dating approximately 4 months prior), [Docket No. 9857] (approving *nunc pro tunc* appointment dating approximately 9 months prior), [Docket No. 5037] (approving *nunc pro tunc* appointment dating approximately 9 months prior), [Docket No. 3072] (approving *nunc pro tunc* appointment dating approximately 2 months), [Docket No. 2925] (approving *nunc pro tunc* appointment dating approximately 4 months prior), [Docket No. 6808] (approving *nunc pro tunc* appointment dating approximately 3 weeks prior), [Docket No. 7825] (approving *nunc pro tunc* appointment dating approximately 9 months prior), [Docket No. 2275] (approving *nunc pro tunc* appointment dating approximately 3 months prior), [Docket No. 2309] (approving *nunc pro tunc* appointment dating approximately 3 months prior), [Docket No. 12204] (approving *nunc pro tunc* appointment dating approximately 4 months prior), [Docket No. 10647] (approving *nunc pro tunc* appointment dating approximately 6 months prior), [Docket No. 7044] (approving *nunc pro tunc* appointment dating approximately 1 month prior), [Docket No. 4009] (approving *nunc pro tunc* appointment dating approximately 4 months prior), [Docket No. 10677] (approving *nunc pro tunc* appointment dating approximately 5 months prior), [Docket No. 11499] (approving *nunc pro tunc* appointment dating approximately 2 months prior), [Docket No. 2680] (approving *nunc pro tunc* appointment dating approximately 4 months prior), [Docket No. 10949] (approving *nunc pro tunc* appointment dating approximately 7 months prior),

Anthony Stylianou, 2010 Bankr. Lexis 3193 at *15 (Bankr. S.D.N.Y. 2010) (stating the “determination as to whether the *nunc pro tunc* appointment is appropriate is in essence an equitable one, taking into account all relevant circumstances surrounding the party’s omission.”); *In re Motors Liquidation Company*, 2010 Bankr. Lexis 2367 at *28 (Bankr. S.D.N.Y. 2010) (stating that in “exercising its discretion regarding the existence of ‘extraordinary circumstances,’ a bankruptcy court considers factors such as . . . whether the applicant was under time pressure to begin service without approval”); *see also In re Hasset, Ltd.*, 283 B.R. 376, 379 (Bankr. E.D.N.Y. 2002) (approving *nunc pro tunc* retention and recognizing that “*nunc pro tunc* applications are disfavored in this Circuit but have been permitted when the attorney performs services of ‘value’ to the estate” (internal citations omitted)); *In re Piecuil*, 145 B.R. 777, 779 (Bankr. W.D.N.Y. 1992) (stating that “‘it is not unreasonable . . . for the court, in its carefully exercised discretion, to utilize *nunc pro tunc* orders’ . . . where the failure to make timely application has been explained and no violation of underlying policy has occurred.” (internal citations omitted)).

Notice

28. No trustee has been appointed in these chapter 11 cases. The Debtors have served notice of this Application in accordance with the procedures set forth in accordance with the procedures set forth in the second amended order entered on June 17, 2010 governing case management and administrative procedures for these cases [Docket No. 9635] on (i) the U.S. Trustee; (ii) the attorneys for the Creditors’ Committee; (iii) the Securities and Exchange Commission; (iv) the Internal Revenue Service; (v) the United States Attorney for the Southern

[Docket No. 1658] (approving *nunc pro tunc* appointment dating approximately 2 months prior), [Docket No. 8846] (approving *nunc pro tunc* appointment dating approximately 1 month prior), [Docket No. 1660] (approving *nunc pro tunc* appointment dating approximately 2 months prior), [Docket No. 4926] (approving *nunc pro tunc* appointment dating approximately 3 months prior), [Docket No. 12406] (approving *nunc pro tunc* appointment dating approximately 1 month prior), [Docket No. 12497] (approving *nunc pro tunc* appointment dating approximately 1 month prior).

District of New York; (vi) Latham & Watkins LLP; and (vii) all parties who have requested notice in these chapter 11 cases. The Debtors submit that no other or further notice need be provided.

29. No previous request for the relief sought herein has been made by the Debtors to this or any other court.

WHEREFORE the Debtors respectfully request that the Court grant the relief requested herein and such other and further relief as it deems just and proper.

Dated: March 2, 2011
New York, New York

/s/ Richard P. Krasnow
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Attorneys for Debtors
and Debtors in Possession

EXHIBIT A

Supplemental Declaration of Gregory O. Lunt

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*Special Counsel for Debtors
and Debtors in Possession*

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re

**LEHMAN BROTHERS HOLDINGS INC., *et al.*

Debtors.**

Chapter 11 Case No.

08-13555 (JMP)

(Jointly Administered)

**SUPPLEMENTAL DECLARATION OF GREGORY O. LUNT IN SUPPORT OF
APPLICATION OF THE DEBTORS PURSUANT TO SECTION 327(e) OF THE
BANKRUPTCY CODE AND RULE 2014 OF THE FEDERAL RULES OF
BANKRUPTCY PROCEDURE FOR AUTHORIZATION TO EMPLOY AND RETAIN
LATHAM & WATKINS LLP AS SPECIAL COUNSEL TO THE DEBTORS**

Gregory O. Lunt, being duly sworn, deposes and says:

1. I am a partner of Latham & Watkins LLP ("L&W"), located at 355 South Grand Avenue, Los Angeles CA, 90071-1560 and am duly authorized to make this declaration on L&W's behalf. L&W also has numerous other offices both in the United States and abroad, including at 885 Third Avenue, Suite 1000, New York, New York 10022-4834.

2. On May 5, 2010, the Debtors submitted to this Court the Application of the Debtors Pursuant to Section 327(e) of the Bankruptcy Code and Rule 2014 of the Federal Rules of Bankruptcy Procedure for Authorization to Employ and Retain Latham & Watkins LLP as Special Counsel to the Debtors (the "Application") [Docket No. 8793], pursuant to which the Debtors sought authority to retain L&W for certain discrete matters defined in the Application as the "Representative Matters". Concurrently with the Application, L&W filed the Declaration of

Gregory O. Lunt in Support of the Application of the Debtors Pursuant to Section 327(e) of the Bankruptcy Code and Rule 2014 of the Federal Rules of Bankruptcy Procedure for Authorization to Employ and Retain Latham & Watkins LLP as Special Counsel to the Debtors (the “Original Declaration”). On May 18, 2010, this Court entered an order authorizing the retention of L&W as special counsel to the Debtors, *nunc pro tunc* to March 1, 2010.

3. This Supplemental Declaration supplements the Original Declaration. Capitalized terms used in this Supplemental Declaration that are not defined in this Supplemental Declaration shall have the meanings given to them in the Application. Except as set forth below, the Original Declaration continues to be true and accurate.

4. I have personal knowledge¹ of each of the facts stated in this Supplemental Declaration. If I obtain additional information that requires further disclosure or modification of the Application, the Original Declaration, or this Supplemental Declaration, I will file a further declaration with the Court.

Additional Disclosures

5. The Original Declaration, including Schedule 2 thereto, describes L&W’s connections (or lack of connections, as the case may be) to *inter alia* the Debtors and these chapter 11 cases, and set forth a list of clients (defined in the Original Declaration as the “L&W Clients”) for which L&W is handling matters that are or could be adverse to the Debtors or related to these chapter 11 cases. Since filing the Original Declaration and, in addition to the matters described in the Original Declaration (including those set forth on Schedule 2 thereto),

¹ Certain of the disclosures herein relate to matters within the knowledge of other attorneys at L&W and are based on information provided by them.

L&W has undertaken the representation of the following clients on matters that are or may become adverse to the Debtors, but which are wholly unrelated to the Representative Matters:²

- (1) Royal Bank of Scotland: L&W is advising the Royal Bank of Scotland regarding structured notes issued by the Lehman Brothers Holdings, Inc.
- (2) Benetton SpA: L&W is representing Benetton in a mediation relating to two swap claims with Lehman Brothers Holdings, Inc.
- (3) Neovara LLP: L&W is representing Neovara in connection with certain loan transfers from Lehman Brothers Commercial Paper, Inc.
- (4) TriMont Real Estate Advisors: L&W is representing the special servicer of first lien debt on a property where Lehman Brothers Holdings, Inc. holds a mezzanine loan secured by a pledge of interests in the entity which holds interest in the land owner.
- (5) L&W is representing certain third parties in the acquisition or sale of claims against the Debtors.

6. L&W is also representing certain clients in matters adverse to Lehman Bankhaus AG, which filed for Chapter 15 bankruptcy protection in this Court on April 4, 2009, Case No. 09-12704.

7. The matters described in paragraphs 5 and 6 above, together with the matters for the L&W Clients set forth or listed in the Original Declaration (including Schedule 2 thereto), are referred to herein as the “L&W Client Matters.” None of the L&W Client Matters is related to the specific transactions and matters that are the subject of the Representative Matters.

8. L&W continues to interview and, in certain cases, hire or admit to its partnership one or more attorneys (the “Laterals”) who at previous law firms represented the Debtors or clients that were adverse to the Debtors in matters unrelated to the Representative Matters. L&W will establish ethical walls to ensure that Laterals who worked on matters for the Debtors during the pendency of these chapter 11 cases do not work on the L&W Client Matters.

² Schedule 2 is hereby modified to include these matters.

Moreover, L&W will supplement this declaration to the extent that (i) any Lateral hired by L&W continues to represent a client in any matter that is adverse to the Debtors and (ii) such matter has not been disclosed in the Original Declaration or this Supplemental Declaration.

9. L&W has been asked to represent the Debtors in prosecuting a significant proof of claim that was filed in the Aegis Mortgage Corporation (“Aegis”) chapter 11 case that is pending in the United States Bankruptcy Court for the District of Delaware (Case No. 07-11119 (BLS)) (the “Aegis Matter”). Contemporaneously with this Declaration, the Debtors have filed an application pursuant to Section 327(e) of the Bankruptcy Code and Rule 2014 of the Federal Rules of Bankruptcy Procedure for authorization to expand the scope of L&W’s retention to include the Aegis Matter, *nunc pro tunc* to September 1, 2010. Aegis was an originator of residential mortgage loans, interests in some of which were ultimately conveyed to the Debtors. Prior to the commencement of the Debtors’ chapter 11 cases, L&W had filed a proof of claim in the amount of approximately \$34 million against Aegis, relating to such mortgage loans, on behalf of non-debtor subsidiary Aurora Loan Services LLC (“Aurora”). With L&W’s assistance, the Debtors are pursuing, and addressing the possible resolution of, that claim against Aegis. While the proof of claim was filed on behalf of Aurora (in Aurora’s role as master servicer), the interests in virtually all of the affected mortgage loans are owned by one or more the Debtors.

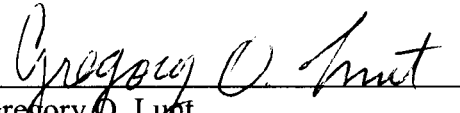
10. I believe that the Debtors’ supplemental retention of L&W to include the Aegis Matter *nunc pro tunc* to September 1, 2010 is appropriate to ensure that L&W may request compensation for all of its work on the Aegis Matter, which provided value to the Debtors’ estates. Moreover, L&W has already been retained in these cases as a section 327 professional, and before that it was retained as an ordinary course professional. During the course of its retention by the Debtors, L&W has already submitted disclosure declarations to this Court (*i.e.*,

my previous declarations), and will continue to make disclosures as necessary and appropriate. Subsequent to the Debtors' request that L&W handle the Aegis Matter, L&W assessed whether requesting payment from the Debtors for that matter through a supplemental retention application would be worthwhile in light of the fees and expenses that had accrued with respect to the Aegis Matter. Recently, L&W determined that it would be worthwhile to pursue payment of its fees and expenses with respect to the Aegis Matter, and began to work with the Debtors to prepare the supplemental retention application. Furthermore, since September 1, 2010, L&W has incurred less than \$30,000 of fees and expenses with respect to the Aegis Matter. Accordingly, I believe that the Debtors will not suffer prejudice as a result of the approval of the Debtors' supplemental retention of L&W to include the Aegis Matter, *nunc pro tunc* to September 1, 2010.

11. Based on the foregoing, I believe that, notwithstanding the L&W Client Matters, L&W does not represent or hold any interest adverse to the Debtors or their estates with respect to the Representative Matters.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct to the best of my knowledge, information and belief.

Dated: February 28, 2011



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